

# Memorandum

**TO:** HONORABLE MAYOR AND  
CITY COUNCIL

**FROM:** Ed Shikada  
Sara L. Hensley

**SUBJECT: SUPPLEMENTAL TO  
BOYS AND GIRLS CLUB  
MEMO OF FEBRUARY 2, 2006**

**DATE:** 02-24-06

Approved



Date

2/29/06

Council District: 2, 3, 8  
SNI Area: City-wide

## REASON FOR SUPPLEMENTAL

To report on City staff's recent meeting with the Boys and Girls Club Executive Director Steve Tedesco to review additional financial data and explore other opportunities/options to support the agency.

## RECOMMENDATION

That the City Council consider the following recommendations as an option to assist the Boys & Girls Club in gaining financial stability.

1. Recommend that the Boys and Girls Club initiate restructuring efforts consistent with United Way strategies that will increase the agency's ability to reduce its operating deficit by closing the Japantown clubhouse.
2. Authorize the Director of Parks, Recreation and Neighborhood services to negotiate with Boys and Girls Club to assume the operation of the afterschool and summer programming at Empire Gardens Elementary School in an amount not to exceed \$100,000.

## BACKGROUND

Staff submitted a memorandum regarding a potential land transaction with the Boys and Girls Club scheduled for the February 14, 2006 City Council meeting. The item was deferred to March 7, 2006, to allow staff to meet with the Boys and Girls Club Executive Director and review additional financial information.

## ANALYSIS

On February 15<sup>th</sup>, 2006, staff from the City Manager's Office and the Parks, Recreation and Neighborhood Services Department (PRNS) met with Boys and Girls Club Executive Director Steve Tedesco to review financial data provided to the City by the Boys and Girls Club. At this meeting financial data from the Boys and Girls Club was reviewed and options to assist the agency were discussed. In the course of this meeting, staff reinforced its position to not recommend a potential land transaction as an option. However, the Boys and Girls Club indicates that they have been able to pay down their \$400,000 line of credit debt by \$150,000. This leaves an outstanding debt of \$250,000. Mr. Tedesco has contended that carrying this debt has been detrimental to the agency's ability to fundraise and in meeting certain grant eligibility requirements. In fact, elimination of this debt would significantly pave the way for the agency to qualify for support from foundations, grants, and to attract new board members that could provide significant contributions towards the agency's recovery. As a result, the following plan was drafted as an option for Council to consider.

- A. The Boys and Girls Club needs to initiate a restructuring effort to reduce expenditures. The reduction would allow the agency to use its savings towards eliminating its debt. As such, the closure and transition of the Japantown Clubhouse would provide an annual gross savings of approximately \$220,000.
- B. PRNS proposes to contract with the Boys and Girls Club to assume operation of the afterschool and summer programming at the Empire Gardens Elementary School. This action is consistent with PRNS strategies to utilize community based organizations in providing services to school aged children and allows the Boys and Girls Club to maintain a presence in the greater downtown area. Service availability beyond the current service hours at the site would be subject to negotiations between the Boys and Girls Club and the school district.

Pursuing these actions to close the Japantown Clubhouse and contract for services at Empire Gardens Elementary School, would allow the Boys and Girls Club to reduce its operating costs and realize additional programmatic funding for the same area. Given the significant progress already made to reduce the organizations debt, the reduction in annual operations costs should allow greater progress toward eliminating the remaining debt.

Another option to consider would be the provision of a grant to the agency directly to address their debt. We have been unable to identify an incremental additional benefit to the public to support the grant, nor a recommended funding source. The use of Capital Funds for this purpose has been deemed inappropriate.

## COORDINATION

This memorandum has been coordinated with the City Manager's Office, the Redevelopment Agency and the City Attorney's Office.

**COST IMPLICATIONS**

The funding to support the cost of the afterschool and summer programming at Empire Gardens Elementary School is already budgeted, although some adjustment between existing appropriations would be needed. There would be no additional net cost to the City from this action.

**CEQA**

Not a project.



ED SHIKADA  
Deputy City Manager

  
for SARA L. HENSLEY

Director, Parks, Recreation and  
Neighborhood Services Department